



Peterson
Allred
Jackson

**English Language Center
of Cache Valley, Inc.**

**FINANCIAL STATEMENTS
WITH INDEPENDENT
AUDITOR'S REPORT**

**For The Year Ended
June 30, 2007**

▪ Certified Public Accountants
Business Consultants

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Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
English Language Center of Cache Valley, Inc.
Logan, UT 84321

We have audited the accompanying statement of financial position of the English Language Center of Cache Valley, Inc. (the Center) (a non-profit corporation) as of June 30, 2007, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the English Language Center of Cache Valley, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2007, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Peterson Alfred Jackson

North Logan, UT
August 8, 2007

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ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
Statement of Financial Position

June 30, 2007

	<u>2007</u>	Memorandum Total <u>2006</u>
<u>Assets</u>		
CURRENT ASSETS:		
Cash	\$ 42,177	\$ 67,785
Grants/contracts receivable	21,309	20,614
Other receivables	1,286	42
Prepaid expenses	-	2,600
Inventory	2,880	6,707
	<hr/>	<hr/>
Total current assets	67,652	97,748
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT:		
Furniture, fixtures, and equipment	65,876	65,876
Less: accumulated depreciation	(45,339)	(32,422)
	<hr/>	<hr/>
Total property and equipment - net	20,537	33,454
	<hr/>	<hr/>
TOTAL ASSETS	\$ 88,189	\$ 131,202
	<hr/>	<hr/>
<u>Liabilities and net assets</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,283	\$ 539
Accrued payroll taxes	10,175	6,021
	<hr/>	<hr/>
Total current liabilities	13,458	6,560
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	67,942	117,142
Temporarily restricted	6,789	7,500
	<hr/>	<hr/>
Total net assets	74,731	124,642
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 88,189	\$ 131,202
	<hr/>	<hr/>

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
Statement of Activities

For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	2007	Memorandum Total 2006
REVENUES AND SUPPORT:				
Grants, contracts, and contributions	\$ 422,476	\$ 6,789	\$ 429,265	\$ 159,124
Tuition	3,360	-	3,360	2,410
Donated goods and services	13,524	-	13,524	17,460
Textbook sales	14,160	-	14,160	20,309
Other	501	-	501	1,886
Total revenues and support	454,021	6,789	460,810	201,189
EXPENSES:				
Salaries and wages	303,447	-	303,447	226,564
Professional fees	55,729	-	55,729	28,392
Occupancy	35,325	-	35,325	35,366
Equipment and supplies/textbooks	77,761	-	77,761	35,370
Depreciation	12,917	-	12,917	12,917
Travel/training	22,555	-	22,555	2,835
Repairs and maintenance	798	-	798	4,977
Miscellaneous	2,189	-	2,189	3,602
Net assets released from restrictions:				
Restriction criteria met	(7,500)	7,500	-	-
Total expenses	503,221	7,500	510,721	350,023
Change in net assets	(49,200)	(711)	(49,911)	(148,834)
Net assets - beginning of year	117,142	7,500	124,642	273,476
Net assets - end of year	\$ 67,942	\$ 6,789	\$ 74,731	\$ 124,642

The accompanying notes are an integral part of these financial statements.

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
Statement of Cash Flows

For the Year Ended June 30, 2007

	<u>2007</u>	Memorandum Total <u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase (decrease) in equity	\$ (49,911)	\$ (148,834)
Adjustments to reconcile change in equity to net cash provided by operating activities:		
Depreciation	12,917	12,917
(Increase) decrease in:		
Grant/contract receivable	(695)	(1,138)
Other receivables	(1,244)	7
Inventories	3,827	(379)
Prepaid expenses	2,600	-
Increase (decrease) in:		
Accounts payable	2,744	(467)
Accrued liabilities	4,154	4,362
	<u>(25,608)</u>	<u>(133,532)</u>
Net cash provided (used) by operating activities		
	<u>(25,608)</u>	<u>(133,532)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(25,608)	(133,532)
Cash at beginning of year	67,785	201,317
Cash at end of year	<u>\$ 42,177</u>	<u>\$ 67,785</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
Notes to Financial Statements

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

English Language Center of Cache Valley, Inc. (the Center) is a non-profit corporation organized under the laws of the State of Utah on June 9, 1998. The Center consists of teaching facilities of English as a second language to adults of all nationalities, from pre-literate to the advanced level, thus improving their opportunities for employment and enhancing their community survival skills. The Center is governed by a board of trustees consisting of four to six members elected by the majority of the board of trustees. The non-profit corporation is located in Logan, Utah.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting.

Unrestricted Net Assets

Under SFAS No. 117 the English Language Center of Cache Valley, Inc. is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets consist of revenue and other support available for and used for current operations. Restricted contributions whose restrictions are met in the same reporting period are shown on the financial statements as unrestricted contributions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for the future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
Notes to Financial Statements

continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Property and Equipment

Purchased property and equipment are recorded at cost. Donated equipment is valued at fair market value. Beginning in fiscal year 2001, all capital items greater than \$5,000 are classified as capitalized assets. Depreciation of equipment is provided for over the estimated useful lives of the respective assets using the straight-line method. The Center uses the following useful lives:

Furniture and equipment	3-5 years
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Upon retirement or disposal of property and equipment, the costs and related accumulated depreciation amounts are eliminated, and any gain or loss is included in the statement of activity in the year of disposition.

Income Taxes

As a non-profit organization which is not a private foundation, the Center has been granted tax-exempt status by the IRS under Section 501(c)(3). Accordingly, no provision for income taxes has been made in the financial statements.

Donated Materials, Equipment, and Services

Donated materials, equipment, facilities, and certain services are reflected as contributions in the accompanying statements at their estimated fair value on the date of contribution.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Center considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Memorandum Totals

Total columns on the prior year period are captioned "memorandum only" to indicate that they are presented only to facilitate analysis.

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
Notes to Financial Statements

continued

2. CASH

English Language Center of Cache Valley, Inc. maintains cash accounts in one bank. Of the bank balances, all amounts were covered by FDIC insurance at June 30, 2007.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking - Lewiston State Bank	\$ 36,141	\$ 53,911
Checking - Lewiston State Bank	(3,461)	5,910
Savings - Lewiston State Bank	9,297	9,297
Petty Cash	200	-
	<hr/>	<hr/>
Total Cash	<u>\$ 42,177</u>	<u>\$ 69,118</u>

3. INVENTORY

Inventory at June 30, 2007, consists of \$2,880 of textbooks. Inventory is stated at the lower of cost (first-in, first-out method) or market.

4. PROPERTY AND EQUIPMENT

	<u>7/1/2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/2007</u>
Furniture and equipment	\$ 65,876	\$ -	\$ -	\$ 65,876
Accumulated depreciation	(32,422)	(12,917)	-	(45,339)
	<hr/>	<hr/>	<hr/>	<hr/>
Net property and equipment	<u>\$ 33,454</u>	<u>\$ (12,917)</u>	<u>\$ -</u>	<u>\$ 20,537</u>

5. FUNCTIONAL EXPENSE

The majority of time and expenses incurred by the Organization are for the program purpose of teaching English. Of the total expenses \$37,260 (7%) is for administration and \$473,461 is for program classes.

6. CONTRIBUTED SERVICES AND GOODS

The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Services provided by student and other volunteers at the Center are not recorded. Donated services for the year ended 6/30/07 were valued at \$5,835. The Center also received donated goods of \$7,689.

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
Notes to Financial Statements

continued

7. LEASES

The English Language Center of Cache Valley, Inc. leases its Logan facility on a month to month basis, with monthly rent of \$900 and \$700 which are due by the 10th of each month. The center also has a \$1,000 month to month lease for additional classroom space. Rent expense for the year was \$31,200.

8. TEMPORARILY RESTRICTED NET ASSETS

During the year ended June 31, 2007 the Organization received a contribution of \$10,000 that was to be used for a specific purpose. As of June 31, 2007 only \$3,211 of this contribution had been expended, therefore the remaining portion of \$6,789 is showing as temporarily restricted net assets.

9. SIMPLIFIED EMPLOYEE PENSION PLAN

The English Language Center participates in a Simplified Employee Pension Plan (SEP) that covers all employees who have reached the age of 21, have at least \$450 of compensation from the employer during the plan year, and those who have performed services for the employer during at least 3 of the immediately preceding 5 plan years. Contributions to the SEP plan for the year ended 6/30/2007 were \$8,121.



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**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
English Language Center of Cache Valley, Inc.

We have audited the financial statements of the English Language Center of Cache Valley, Inc. (the Center) (a non-profit corporation) as of and for the year ended June 30, 2007, and have issued our report thereon dated August 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control. We considered the deficiency described in a separate letter to management dated August 8, 2007 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Aured Jackson

North Logan, UT
August 8, 2007



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

August 8, 2007

To the Board of Directors of
English Language Center of Cache Valley, Inc.

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of English Language Center of Cache Valley, Inc. (the Organization) as of and for the year ending June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Finding: *Audit Adjustments*

While conducting the audit we made several audit adjustments. Most significant of these adjustments were to expense capitalized supplies, reclassify unearned revenue to earned, to book a receivable for cash not received, and to book donated goods and services. These adjustments were not originally identified by management and therefore represent a significant deficiency in preparation of financial statements that are correct in accordance with US Generally Accepted Accounting Principles.

Recommendation:

Yearly audit adjustments are typically repeated each year. Consequently, we recommend that prior to audit fieldwork you review and adjust for such transactions to ensure the current year organizational financial statements reflect the correct year end balances.

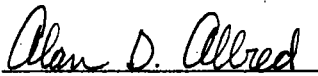
Management response:

Management is responsible for the annual financial statements and will ensure that all year-end balances are correct and adjustments have been properly booked. Management will also review all previous year journal entries for similar adjustments.

This communication is intended solely for the information and use of management and the board of directors of the English Language Center of Cache Valley, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

In conclusion, we wish to recognize Ronda Kingsford and Katie Jensen for their dedicated service to the English Language Center of Cache Valley, Inc. and for their assistance during the current year audit. Thank you for the opportunity to serve English Language Center of Cache Valley, Inc. as independent auditors.

Very truly yours,

A handwritten signature in cursive script that reads "Alan D. Allred". The signature is written in dark ink and is positioned above the printed name.

Alan D. Allred, CPA
PETERSON ALLRED JACKSON